



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **200702036**

Release Date: 1/12/07

Date: October 17, 2006

Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

UIL 513.00-00

Legend:

M =

O =

Dear _____ :

This letter relates to Private Letter Ruling 200352019, dated October 3, 2003, ("prior letter"), regarding whether O's investment in the M endowment constituted unrelated business taxable income under section 512(a)(1) of the Internal Revenue Code.

The prior ruling held that the issuance of units from M to O, the making or receipt of payments with respect to the units, and the holding or redemption of the units will not generate unrelated business taxable income to O.

We are concerned about the participation by O, the charitable lead trust, as an investor since non-charitable beneficiaries may benefit inappropriately from deferrals that can be controlled and designed for tax benefit. Therefore, we are studying whether it remains appropriate to characterize the transaction as a contract when a charitable lead trust is involved and whether it is appropriate to conclude that the charitable lead trust will realize unrelated trade or business income.

Therefore, this is to clarify the prior ruling that while O may continue to reinvest money in M's endowment that was previously held in the endowment as of the date of this letter without generating unrelated business taxable income to O, this ruling does not apply to new money invested in M's endowment after the date of this letter.

The prior ruling is also modified by deleting all references to N.

This ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

This ruling is based on the facts as they were presented and on the understanding that there will be no material changes in these facts. Because it could help resolve questions concerning your federal income tax status, this ruling should be kept in your permanent records.

Pursuant to a Power of Attorney on file in this office, a copy of this letter is being sent to O's authorized representatives. A copy of this letter should be kept in O's permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert C. Harper, Jr.
Manager, Exempt Organizations
Technical Group 3

Enclosure
Notice 437